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**MEMORANDUM  
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TO: Docket Control

FROM: Ernest G. Johnson  
Director  
*for* Utilities Division

DATE: June 27, 2008

Arizona Corporation Commission

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**COMPLIANCE FILING FOR DECISION NO. 68826 – STAFF REPORT FOR THE APPLICATION OF NORTHERN SUNRISE WATER COMPANY AND SOUTHERN SUNRISE WATER COMPANY FOR AN EXTENSION OF THEIR CERTIFICATES OF CONVENIENCE AND NECESSITY.**

IN THE MATTER OF THE APPLICATION OF NORTHERN SUNRISE WATER COMPANY INC. AND SOUTHERN SUNRISE WATER COMPANY INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NOS. W-20453A-06-0247 AND W-20454A-06-0248

IN THE MATTER OF THE JOINT APPLICATION OF NORTHERN SUNRISE WATER COMPANY INC. AND SOUTHERN SUNRISE WATER COMPANY INC. FOR THE APPROVAL OF SALE AND TRANSFER OF WATER UTILITY ASSETS, AND CANCELLATION OF CERTIFICATES OF CONVENIENCE AND NECESSITY, FOR MIRACLE VALLEY WATER COMPANY, COCHISE WATER COMPANY, HORSESHOE RANCH WATER COMPANY, CRYSTAL WATER COMPANY, MUSTANG WATER COMPANY, CORONADO ESTATES WATER COMPANY, AND SIERRA SUNSET WATER COMPANY, LOCATED IN COCHISE COUNTY, ARIZONA.

DOCKET NOS. W-20453A-06-0251, W-20454A-06-0251, W-01646A-06-0251, W-01868A-06-0251, W-02235A-06-0251, W-02316A-06-0251, W-02230A-06-0251, W-01629A-06-0251 AND W-02240A-06-0251

Attached is the Staff Report for Northern Sunrise Water Company and Southern Sunrise Water Company for their application for approval to extend their Certificates of Convenience and Necessity as required by Decision No. 68826. Staff recommends approval with conditions.

EGJ:MSJ:tdp

Originator: Marlin Scott, Jr.

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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

NORTHERN SUNRISE WATER COMPANY  
AND  
SOUTHERN SUNRISE WATER COMPANY


DOCKET NO. W-20453A-06-0247  
DOCKET NO. W-20454A-06-0248  
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DOCKET NO. W-01868A-06-0251  
DOCKET NO. W-02316A-06-0251  
DOCKET NO. W-01629A-06-0251

APPLICATION FOR EXTENSION  
OF CERTIFICATES OF  
CONVENIENCE AND NECESSITY

JUNE 27, 2008

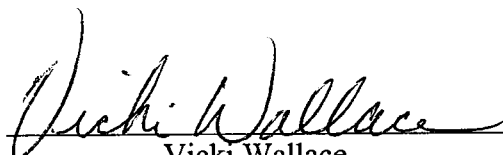
## STAFF ACKNOWLEDGEMENT

The Staff Report for Northern Sunrise Water Company and Southern Sunrise Water Company, Docket Nos. W-20453A-06-0247, et. al., was prepared by the Staff members; Marlin Scott, Jr. and Vicki Wallace.



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Marlin Scott, Jr.  
Utilities Engineer



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Vicki Wallace  
Chief, Consumer Services & Special Projects

**EXECUTIVE SUMMARY  
FOR  
NORTHERN SUNRISE WATER COMPANY  
AND  
SOUTHERN SUNRISE WATER COMPANY  
DOCKET NOS. W-20453A-06-0247 ET. AL.**

On January 2, 2008, Northern Sunrise Water Company and Southern Sunrise Water Company ("Companies" or "Applicants") filed a compliance filing to amend their Certificates of Convenience and Necessity ("CC&N") in Cochise County pursuant to Decision No. 68826.

The Companies have applied to extend their CC&Ns for five of the seven water systems. The requested extension areas will add a total of approximately 4.3 square-miles to the Companies' existing 7.4 square-miles of certificated areas.

With the completion of the capital plant improvements for the Cochise, Horseshoe Ranch, Mustang, Crystal, and Miracle Valley Systems, Staff concludes that all of these systems have adequate well and storage capacities to serve the existing and proposed CC&N extension areas. Although the Sierra Sunset and Coronado Estates Systems did not request a CC&N extension at this time, these systems along with the proposed Babocomari project will have adequate well and storage capacities.

The Companies are currently delivering water that meets the Arizona Department of Environmental Quality ("ADEQ") water quality standards. The Companies have no delinquent Commission compliance items.

Decision No. 68272 (November 8, 2005) imposed a moratorium on new customer hook-ups. As of the date of this Staff Report, two of the seven Companies' water systems had their moratoria lifted, and three other systems are pending approval. Only the moratoria on the Sierra Sunset and Coronado Estates Systems are still in effect. Therefore, Staff does not believe that the moratorium should affect this CC&N extension approval process, because the Companies were ordered to include areas that are being served outside their existing CC&Ns, and the Companies expect to complete the required capital plant improvements by December 31, 2008.

Staff recommends that the Commission approve the Companies' application for extension of their CC&Ns, as delineated in Exhibit 1, subject to compliance with the following conditions:

1. To require the Companies to charge their authorized rates and charges in the extension areas.
2. That the Commission put the Companies on notice that any future CC&N extension applications will not be deemed sufficient without documentation from ADWR stating that there is a 100 year adequate water supply for the then existing CC&N area (along with any other typically required sufficiency information).

3. To require the Companies to file with Docket Control, as a compliance item in this docket, copies of the Cochise County franchise agreements needed to serve the requested CC&N extension areas within two years of the effective date of an order in this proceeding.
4. That the Commission deny the Companies' request for the CC&N extension areas outside the boundaries of the areas recommended by Staff. As such, Staff recommends that the Companies be required to file with Docket Control an amended legal description for the area outlined in Exhibit 1, no later than 30 days after the effective date of the order granting this application.

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## **Introduction**

On January 2, 2008, Northern Sunrise Water Company, Inc. ("Northern") and Southern Sunrise Water Company, Inc. ("Southern") (combined, "the Companies" or "Applicants") filed a compliance filing to amend their Certificates of Convenience and Necessity ("CC&N") pursuant to Decision No. 68826 (June 29, 2006). In that Decision, the Companies were ordered to file applications by December 31, 2007, for approval to extend their CC&Ns to areas being served outside of their CC&Ns in Cochise County, Arizona. At the February 27, 2008 Procedural Conference, Commission Staff accepted the Companies' compliance filing as an application for extension of their CC&Ns and acknowledged that the application was sufficient.

Decision No. 68826 approved the transfer of the former McLain Systems to Northern and Southern. Northern consists of the Mustang, Crystal, Sierra Sunset, and Coronado Estates water systems, while Southern consists of the Cochise, Horseshoe Ranch, and Miracle Valley water systems. Northern includes an additional area called Babocomari which is adjacent to the Coronado Estates System.

## **Algonquin**

Northern and Southern are subsidiaries of Algonquin Water Resources of America, Inc. ("Algonquin"). Algonquin currently owns five Arizona utilities: Bella Vista Water Company, Litchfield Park Service Company, Gold Canyon Sewer Company, Black Mountain Sewer Corporation, and Rio Rico Utilities.

## **Public Notification**

A procedural order was issued February 29, 2008 (Exhibit 2), setting a hearing in this matter for July 8, 2008, and directing notice of such hearing. The procedural order noted that in Decision No. 68826 the Commission acknowledged that the old McLain Water Systems might be serving customers outside of their certificated boundaries and that it might make sense for the Applicants to extend their CC&N boundaries to include these customers as well as other properties that are reasonable and logical. The procedural order also noted that the Commission was always concerned that the public receive adequate notice of proceedings and directed the Applicants to take all reasonable steps to serve notice on the affected property owners and to make it clear that property owners wishing to exclude their property from the request should file such request with the Commission. The procedural order established the form and content of the notice and included specific language pertaining to all affected property owners as follows:

**"APPLICANTS HAVE BEEN DIRECTED TO MAIL THIS NOTICE TO ALL AFFECTED PROPERTY OWNERS. IF YOU RECEIVED THIS NOTICE BY MAIL, YOUR PROPERTY IS INCLUDED IN THE REQUEST TO BE INCLUDED IN APPLICANTS' SERVICE AREAS. AFFECTED PROPERTY OWNERS WHO DO NOT WISH THEIR PROPERTY TO BE INCLUDED IN THE APPLICANTS' SERVICE AREAS, MUST FILE A REQUEST WITH THE COMMISSION TO**



**HAVE THEIR PROPERTY EXCLUDED. IF YOU DO NOT RESPOND TO THIS NOTICE, AND THE REQUEST IS APPROVED, YOUR PROPERTY WILL BE INCLUDED IN THE APPLICANTS' SERVICE AREAS. SUCH REQUESTS FOR EXCLUSION SHOULD BE MAILED TO THE APPLICANTS AND THE ORIGINAL AND 13 COPIES FILED WITH THE COMMISSION IN CARE OF DOCKET CONTROL, 1200 WEST WASHINGTON, PHOENIX, ARIZONA, 85007, BY JUNE 13, 2008. ALL CORRESPONDENCE SHOULD CONTAIN THE DOCKET NUMBERS SET FORTH ABOVE."**

On April 17, 2008, notice regarding the July 8, 2008 hearing was published in the *Sierra Vista Herald* and the *Bisbee Daily Review*. On April 18, 2008, Applicants sent, via first class U.S. mail, a copy of the required notice that included, in part, the above-referenced language to property owners within the requested extension area and a copy of the procedural order to the appropriate public service corporations. After the mailing was complete, Applicants discovered that the notice should have been sent via certified mail. Additionally, on or about April 22, 2008, Staff contacted Applicants and requested that the notice provide a toll free phone number for interested parties to call. Applicants modified the notice per Staff's request (attached as Exhibit 3) and on April 24, 2008, sent it again to all property owners via certified mail.

Staff asked the Applicant the following additional questions about the notice:

1. How all property owners were identified within the requested extension areas other than existing customers; and how many such notices were mailed.
2. Were any notices that were mailed by the Applicants returned by the postal service; and what additional efforts were made by the Applicants to identify the property owners.

The applicants responded that a list of property owners was obtained by researching Cochise County records via microfiche, and 1,032 notices were mailed to property owners within the requested extension areas.

Applicants advised that they did receive some returned notices. As a result, the applicants contacted the Cochise County Assessor's Office directly and obtained a more current list of property owners. The new list was compared to the original, and any property owners that were identified as not having been sent a notice previously were sent a copy. The new list also enabled the applicants to identify new mailing addresses for some of the notices that were returned. Notices were then resent to those property owners. Any mail that was returned with a forwarding address was also resent.

On June 3, 2008, another procedural order (Exhibit 4) was issued setting a Public Comment Meeting for June 23, 2008. This procedural order noted that in response to the notices mailed, the Commission had received a large number of requests from property owners to have their property excluded from the proposed extension area. It further appeared from letters and phone calls received from property owners, there was some confusion in the community about

the effect of the application. As a result, the Commission decided that it was in the public interest to hold a public comment meeting in the local community to hear the concerns of the potentially affected property owners. The procedural order established the form and content of the notice and included specific language pertaining to all affected property owners as follows:

“You received notice previously about the hearing on this matter set to commence on July 8, 2008 at 10:00 a.m., at the Commission’s Tucson offices, Room 222, 400 West Congress St., Tucson, Arizona 85701. If the application is granted, the Applicants would be the exclusive providers of water service within the requested extension areas, and would be required to provide service on the terms and conditions as established by the Commission. IF YOU PREVIOUSLY REQUESTED TO HAVE YOUR PROPERTY EXCLUDED FROM THE PROPOSED SERVICE AREA, YOUR PROPERTY WILL NOT AUTOMATICALLY BE EXCLUDED, BUT RATHER THE COMMISSION WILL DECIDE BASED ON ALL THE EVIDENCE IN THE RECORD WHICH AREAS WILL BE INCLUDED AND WHICH WILL NOT. HOWEVER, IF THE APPLICATION IS APPROVED, PROPERTY OWNERS WITH PERSONAL WELLS WILL NOT BE REQUIRED TAKE SERVICE FROM APPLICANTS OR TO DISCONNECT FROM THEIR WELLS TO BECOME CUSTOMERS OF THE APPLICANTS.”

As referenced in a Notice of Filing docketed June 19, 2008, Applicants mailed, on June 10, 2008, to 867 property owners in the requested extension territory, a copy of the notice (Exhibit 5) regarding the Commission’s Public Comment Meeting. In the above-referenced filing, the Applicants noted that the Commission had received several hundred letters from property owners requesting exclusion and after considerable effort to map the location of property owners requesting exclusion, Applicants determined that some of these properties were located within the Applicants’ respective existing CC&N. In addition, several properties were located outside the requested extension area. It was also noted that many of the letters received by the Commission were form letters sent by a local real estate agent on behalf of property owners, and the Applicants provided a copy of the notice provided to Hereford/Palominas residents by that agent (attached as Exhibit 6). Further, the Applicants advised that some of the letters received by the Commission were the result of the property owner receiving the initial public notice in error.

Thus, the Applicants mailed a clarification letter (a sample copy attached as Exhibit 7) to various property owners whose properties were located outside the requested service territory on June 13, 2008. The letter was to inform this class of property owners that either: (1) an original notice was incorrectly mailed to them; or (2) they had requested for their property to be excluded from Applicants’ service area although their properties were not located within the requested service area (or existing CC&Ns). The clarification letter also included information regarding the Commission’s June 23, 2008 Public Comment Meeting.

Additionally, the Applicants mailed a clarification letter (a sample copy attached as Exhibit 8) to various property owners whose properties were currently located within the Applicants’ existing service area. The letter was to inform them that either: (1) an original

notice was incorrectly sent to them; or (2) they had requested for their property to be excluded from Applicants' requested extension area although their properties were already located within Applicants' existing service area. The clarification letter also included information regarding the Commission's June 23, 2008 Public Comment Meeting.

Applicants believed that although the above-referenced clarification letters were not required by the June 3, 2008 procedural order, those additional mailings would help to alleviate further confusion regarding the Application.

The Commission issued a press release on May 29, 2008, entitled "Commission Staff Answers Questions for Well Owners within the Northern and Southern Sunrise Water Systems Requested CC&N". At the Public Comment Meeting on June 23, 2008, Staff presented this Question and Answer document (attached as Exhibit 9) to also alleviate many of the concerns that had been expressed by property owners.

### **Consumer Services**

Since officially becoming Interim Manager on September 19, 2006, the Consumer Services' Section has received a total of 19 complaints against the Applicants; 7 complaints for Southern and 12 complaints for Northern. The complaints against Southern were due to low water pressure and water outages (May through July, 2007), the moratorium on new meter installations, service delays due to mainline extension issues, and a meter reading problem. The complaints against Northern were also due to low water pressure and water outages (mainly in May and June, 2007), moratorium on new meter installations, billing issues, meter installation problems, and disconnection of service. A couple of customers who were complaining about an outage also mentioned they could not reach the company or that no information was provided in connection with the outage. The longest outage reported to Consumer Services since September 19, 2006, lasted seven hours and fifteen minutes in the Northern Sunrise area.

Official Commission records reveal the following outage information for both Companies from September 16, 2006 through June 24, 2008:

**OUTAGES**

	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b><u>Northern Sunrise</u></b>			
Crystal	1	6	6
Sierra Sunset	1	3	0
Coronado Estates	1	7	2
Mustang	<u>0</u>	<u>2</u>	<u>6</u>
<b>Totals</b>	<b>3</b>	<b>15</b>	<b>14</b>
 <b><u>Southern Sunrise</u></b>			
Cochise	3	14	9
Horseshoe	3	5	1
Miracle Valley	<u>0</u>	<u>17</u>	<u>5</u>
<b>Totals</b>	<b>6</b>	<b>36</b>	<b>15</b>

**Service to Requested Areas**

As part of its review of the application, Staff requested the Companies to provide maps of the requested CC&N extension areas that identified each respective property owner that is; 1) outside the existing CC&Ns and receiving water service, 2) requesting water service, and 3) requesting to be excluded from the CC&N extension proceeding. In response to Staff's request, on June 11, 2008, the Companies' maps showed the following data:

1. There are approximately 189 existing customers/property owners being served outside the existing CC&N. (Within this count, there appear to be approximately 18 customers within the East Slope Water Company CC&N. Staff will work with the Companies to verify their information and resolve the matter. Ultimately, this may require Staff to submit an addendum to this Staff report in regards to these 18 customers.)
2. There are approximately 104 property owners requesting to be excluded within the requested CC&N extension areas.
3. There are approximately 49 property owners requesting to be excluded within the existing CC&Ns.
4. There are 116 property owners requesting to be excluded that are NOT within the requested CC&N extension areas. (88 properties are within the Southland Utilities Company CC&N; 4 properties are within the Nicksville Water Company CC&N; 4 properties are within the Whetstone Water Improvement District (non-jurisdictional area); and 20 properties are not in any requested or other existing CC&N areas.)

The requested CC&N extension areas total to approximately 4.3 square-miles. With the assistance of the Companies' submitted maps showing the above data, Staff evaluated the Companies' requested extension areas. Based on this evaluation, Staff determined that some requested areas should be deleted due to; a) no existing customers or water service in that area, and b) property owner(s) that requested to be excluded. Therefore, Staff recommends that the Commission deny the Companies' request for a CC&N extension in the areas outside the boundaries of the areas recommended by Staff. Staff's recommended denial areas are as follows:

- a. Approximately 3/8 of a section located south of State Route 82 within the South half of Section 14, Township 20 South, Range 19 East.
- b. Approximately the North half of the Northwest quarter and approximately the North half of the Northeast quarter of Section 12, Township 20 South, Range 19 East.
- c. South half of Section 13, Township 20 South, Range 19 East.
- d. Southwest quarter of Section 4, Township 23 South, Range 21 East, with the exception of a parcel located in the southeastern corner.
- e. East half of Section 17, Township 23 South, Range 21 East.
- f. South half of the Southwest quarter of Section 17, Township 23 South, Range 21 East.
- g. North half of the Northwest quarter of Section 17, Township 23 South, Range 21 East.
- h. North half of the Northeast quarter and the North half of the Northwest quarter of Section 6, Township 24 South, Range 22 East, with the exception of a parcel located in the northeastern corner of North half of the Northwest quarter.

The above denied areas, totaling approximately 2.5 square-miles, would reduce the Companies' requested CC&N extension areas to approximately 1.8 square-miles. As such, Staff recommends that the Companies be required to file with Docket Control an amended legal description for the areas outlined in Exhibit 1, no later than 30 days after the effective date of the order in this case.

## **Engineering**

The Companies have applied to extend their CC&Ns for five of the seven water systems. Most of the requested areas are contiguous to each of the water system service areas and will add a total of approximately 4.3 square-miles to their existing 7.4 square-miles of certificated areas. The Companies' water systems are all located in the Sierra Vista area in Cochise County.

### Existing Systems

1. Mustang and Crystal Systems: These systems are interconnected, having two wells producing 95 gallons per minute ("GPM") and 40 GPM, a 100,000 gallon storage tank, and a combined distribution system serving 117 service connections as of August 2007. Using an assumed growth rate of 5 new service connections per year, this combined

service area could grow approximately 25 connections at the end of five years. Northern has counted approximately 30 connections being served outside the current CC&Ns, resulting in a projected total customer base of approximately 175 at the end of five years. Based on the existing well production and storage capacities, this combined system is adequate to serve the existing connections and the growth.

2. Sierra Sunset and Coronado Estates Systems - These systems are interconnected, having two wells producing 20 GPM and 110 GPM, three temporary storage tanks totaling 45,000 gallons, and a combined distribution system serving 217 service connections as of October 2007. In Decision No. 68826, the CC&N extension was granted for the Babocomari development adjacent to the Coronado Estates System. Northern is not requesting additional area for these two water systems at this time.

The proposed Babocomari first-phase project will have a 600 GPM well, a 345,000 gallon storage tank, a 1,975 GPM booster system and a distribution system to serve approximately 440 connections. At build-out, the proposed Babocomari system will serve approximately 1,400 residential units. Based on the three-system interconnection project (Sierra Sunset, Coronado Estates and Babocomari systems), the proposed well production and storage capacities related to the first-phase project are adequate to serve the existing connections and the growth.

3. Cochise and Horseshoe Ranch Systems - These systems are interconnected, having five wells producing a total of 285 GPM, three storage tanks totaling 196,000 gallons, and a combined distribution system serving 566 service connections as of August 2007. The Horseshoe Ranch System is also interconnected with Bella Vista Water Company. Using an assumed growth rate of 8 new service connections per year, these service areas could grow approximately 40 connections at the end of five years. Southern has counted approximately 40 connections being served outside the current CC&N, resulting in a projected total customer base of approximately 650 at the end of five years. Based on the existing well production and storage capacities, these systems are adequate to serve the existing connections and the growth.
4. Miracle Valley System - This system has one well producing 160 GPM, a 150,000 gallon storage tank, and a distribution system serving 239 service connections as of August 2007. Using an assumed growth rate of 5 new service connections per year, this service area could grow approximately 25 connections at the end of five years. Southern has counted 2 connections being served outside the current CC&N, resulting in a projected total customer base of approximately 265 at the end of five years. Based on the existing well production and storage capacities, this system is adequate to serve the existing connections and the growth.

Capital Plant Improvements

Pursuant to Decision No. 68826, the Companies were ordered to complete certain capital plant improvements for each water system as listed in Exhibit B of the Decision. As each system project was completed, the Companies were ordered to file a "notice of completion". The Companies were also ordered to include with the notice of completion the Arizona Department of Environmental Quality ("ADEQ") Approval of Construction for those projects requiring ADEQ approval. Staff was ordered to review the filing and field inspect the system to ensure that the capital plant improvements for each water system as listed in Exhibit B of Decision No. 68826 had in fact been completed. The status of each system improvements are as follows:

1. Cochise and Horseshoe Ranch Systems – These systems are interconnected and Southern has complied with the Exhibit B requirements. All Exhibit B capital improvements have been completed, and Staff filed its compliance verification on March 14, 2008. In a Procedural Order, dated March 24, 2008, the Commission concluded that the systems had complied with the capital improvement requirements and consequently, the moratorium on new service connections was lifted. (For more moratorium information, see the Moratorium section below.)
2. Mustang and Crystal Systems – These two systems were confirmed by Northern to be interconnected, which modified the original Exhibit B recommendation of two 60,000 gallon storage tanks to a 100,000 gallon storage tank. Northern recommended rehabilitation of the wells in lieu of replacement. The existing hydropneumatic tank system has been replaced with a new pre-packaged booster station. All Exhibit B capital improvements have been completed and Staff filed its compliance verification on June 4, 2008.
3. Miracle Valley System – Southern concurred with the Exhibit B requirement of a new 150,000 gallon storage tank. The existing hydropneumatic tank system has been replaced with a new pre-packaged booster station. In addition, Southern added a chlorination unit and is refurbishing the second well to provide redundancy in the system. All Exhibit B capital improvements have been completed, and Staff filed its compliance verification on June 4, 2008.
4. Sierra Sunset and Coronado Estates Systems – Although the Sierra Sunset System is interconnected with the Coronado Estates System, Northern will construct a new, adequately-sized interconnection between these systems. These two systems would then operate together as a single system along with the proposed Babocomari development. This proposed three-system interconnection would then eliminate the original Exhibit B recommendation of a 30,000 gallon storage tank on the Sierra Sunset System and a 100,000 gallon storage tank on the Coronado system. The revised Sierra Sunset system's storage requirement of 19,000 gallons, along with the revised Coronado Estates System's storage requirement of 72,000 gallons, would then be added to the proposed Babocomari storage capacity. The existing well capacities of the Sierra Sunset System (20 GPM) and

the Coronado Estates System (110 GPM) combined with the Babocomari project will be adequate.

In a Staff memorandum to the docket, dated November 30, 2007, Staff responded to Northern's filing to modify the capital plant improvements listed in Exhibit B as previously noted. After its review, Staff concluded that Northern's modification filing for the Sierra Sunset and Coronado Estates Systems, along with the proposed Babocomari project, were reasonable. In a Procedural Order, dated April 22, 2008, Northern was granted an extension of time to complete the capital plant improvements by December 31, 2008.

#### Capacity Conclusions

With the completion of the capital plant improvements for the Cochise, Horseshoe Ranch, Mustang, Crystal and Miracle Valley Systems, Staff concludes that all of these systems have adequate well and storage capacities to serve the existing and proposed CC&N extension areas. Although the Sierra Sunset and Coronado Estates Systems did not request a CC&N extension at this time, these systems along with the proposed Babocomari project will have adequate well and storage capacities. For purpose of this proceeding, no "used and useful" determination of the completed and proposed capital plant improvements were made and no particular treatment should be inferred for rate making or rate base purposes.

#### Arizona Department of Environmental Quality Compliance

ADEQ regulates the Companies' systems under the following ADEQ Public Water System I.D. Nos.:

1. Mustang and Crystal Systems, combined under PWS #02-054
2. Sierra Sunset System, PWS #02-055
3. Coronado Estates System, PWS #02-013
4. Cochise and Horseshoe Ranch Systems, combined under PWS #02-011
5. Miracle Valley System, PWS #02-023

Based on data submitted by the Companies, ADEQ has determined that all the water systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

#### Arizona Department of Water Resources Compliance

The Companies are not located in any Active Management Area ("AMA") and therefore, are not subject to any AMA reporting and conservation requirements.

Under a typical CC&N extension request of the instant type, Staff would recommend that an Order Preliminary be granted until the company submitted an Analysis of Adequate Water



Supply or Physical Availability Determination from ADWR demonstrating that there was adequate water available for at least 100 years for the existing CC&N and the requested extension area. In this particular case, the CC&N extension request is being filed per Commission Decision in order to rectify a situation created by the previous owner of the Companies. Therefore, Staff would recommend that the Commission put the Companies on notice that any future CC&N extension applications will not be deemed sufficient without documentation from ADWR stating that there is a 100 year adequate water supply for the then existing CC&N area (along with any other typically required sufficiency information).

Arizona Corporation Commission ("ACC") Compliance

A check with the Utilities Division Compliance Section showed no delinquent ACC compliance items for these Companies.

Curtailment Tariff

The Companies have approved curtailment tariffs for all their water systems that became effective on April 4, 2007.

Backflow Prevention Tariff

The Companies have approved backflow prevention tariffs for all their water systems that became effective on April 4, 2007.

Off-Site Hook-Up Fee Tariff

The Companies have approved off-site hook-up fee tariffs for all their water systems that became effective on June 29, 2006. Due to moratoriums that were imposed on all the water systems, the Companies have not collected any hook-up fees.

**Moratoriums**

Decision No. 68272 (November 8, 2005) imposed a moratorium on new customer hook-ups "until each of the systems can demonstrate to the Commission that it is in the public interest to remove the moratorium." As stated earlier, pursuant to Decision No. 68826 (June 29, 2006), the Companies were ordered to complete certain capital plant improvements for each water system as listed in Exhibit B of the Decision. As each system projects were completed, the Companies were to file a "notice of completion", including ADEQ Approval of Construction for those projects requiring ADEQ approval and Staff was ordered to field inspect and review the filings. As of the date of this Staff Report, two of the seven Companies' water systems had their moratoria lifted and three other systems are pending approval. Only the moratoria on the Sierra Sunset and Coronado Estates Systems are still in effect, in which Northern expects to complete the required capital plant improvements by December 31, 2008. Due to the above and the fact

that the Companies were required to file CC&N extension requests, Staff does not believe that the moratoriums should affect this CC&N extension.

### **Franchises**

Northern and Southern will need to update their franchises. Staff recommends that the Companies file with Docket Control, as a compliance item in this docket, copies of the Cochise County franchise agreements needed to serve the requested CC&N extension areas within two years of the effective date of an order in this proceeding.

### **Rate Case Filings**

Decision No. 68826 ordered the Companies to file general rate cases in 2008 with 2007 Test Years. On May 30, 2007, the Companies filed a motion for extension of time with Decision No. 68826 due to delays caused by the former McLain bankruptcy proceedings and completions of the required capital improvements. By a Procedural Order, dated August 16, 2007, the motion was granted to allow test years ending June 30, 2008, for the rate cases.

On February 14, 2008, the Companies again filed a motion for extension of time with Decision No. 68826 due to unanticipated delays with Cochise County permitting process related to the capital improvements. In addition, the Sierra Sunset and Coronado Estates water systems' construction was delayed by the developer Babocomari. Because of these delays to the capital improvements, the Companies requested an extension of the required rate case filings. By another Procedural Order, dated April 22, 2008, the Companies' motion was granted to delay the filing of the required rate cases until April 1, 2009, using Test Years ending December 31, 2008.

### **Recommendations**

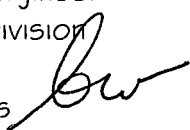
Staff recommends that the Commission approve the Companies' application for extension of their CC&Ns to provide water service in Cochise County, as delineated in Exhibit 1, subject to compliance with the following conditions:

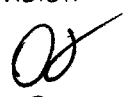
1. To require the Companies to charge their authorized rates and charges in the extension areas.
2. That the Commission put the Companies on notice that any future CC&N extension applications will not be deemed sufficient without documentation from ADWR stating that there is a 100 year adequate water supply for the then existing CC&N area (along with any other typically required sufficiency information).
3. To require the Companies to file with Docket Control, as a compliance item in this docket, copies of the Cochise County franchise agreements needed to serve the requested CC&N extension areas within two years of the effective date of an order in this proceeding.

4. That the Commission deny the Companies' request for the CC&N extension areas outside the boundaries of the areas recommended by Staff. As such, Staff recommends that the Companies be required to file with Docket Control an amended legal description for the area outlined in Exhibit 1, no later than 30 days after the effective date of the order granting this application.

**MEMORANDUM**

TO: Marlin Scott, Jr.  
Utilities Engineer  
Utilities Division

FROM: Barb Wells   
Information Technology Specialist  
Utilities Division

THRU: Del Smith   
Engineering Supervisor  
Utilities Division

DATE: June 25, 2008

RE: **NORTHERN SUNRISE WATER COMPANY (DOCKET NO. W-20453A-06-0247)**  
**SOUTHERN SUNRISE WATER COMPANY (DOCKET NO. W-20454A-06-0248)**

Staff is recommending denial of portions of the requested extension areas in these dockets. Attached are copies of the maps which show the requested areas, as well as the recommended deletions from those requests. Also attached is a staff generated legal description for the recommended areas minus the deletions.

:bsw

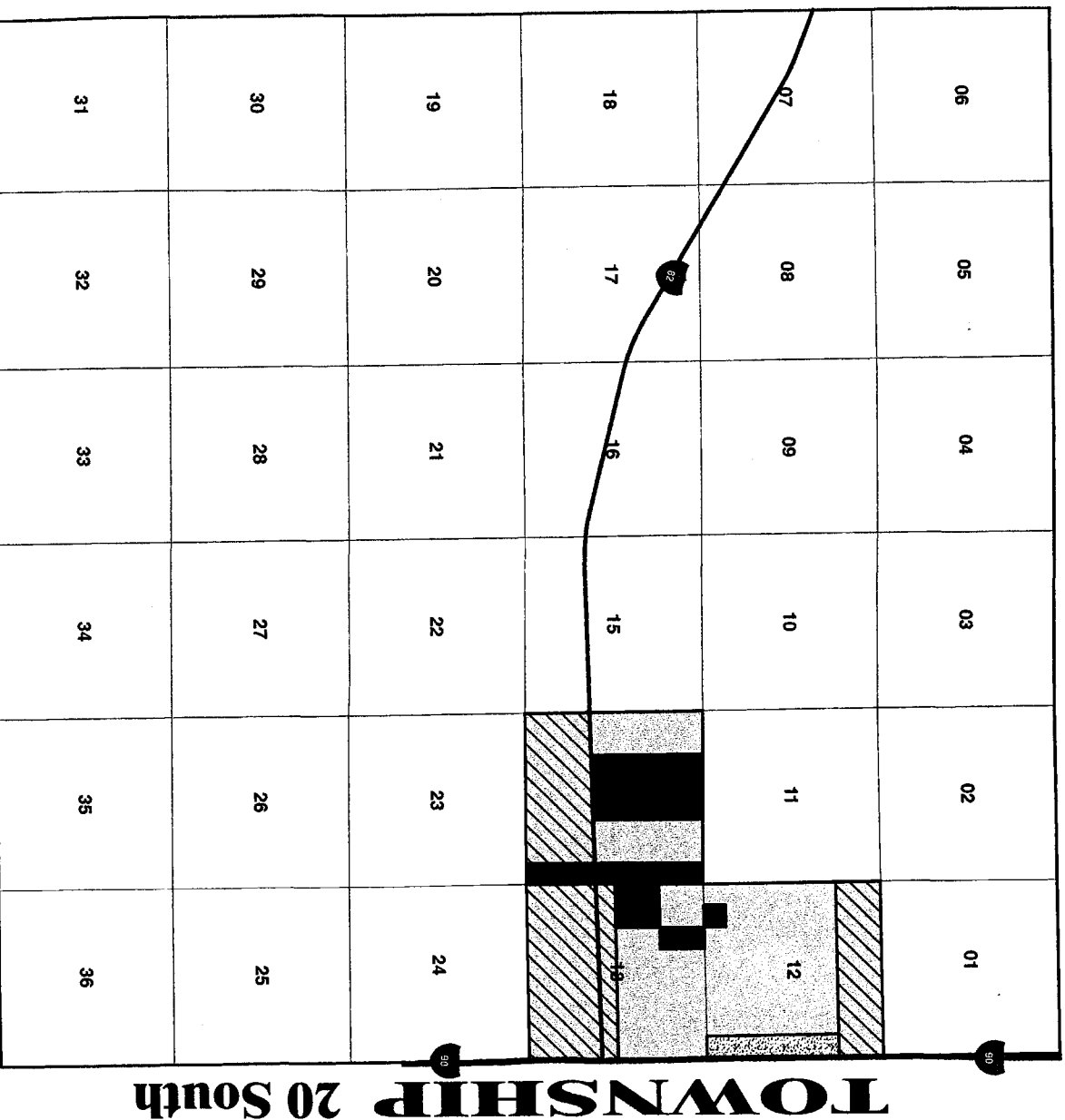
Attachments

cc: Mr. Jay Shapiro  
Ms. Deb Person (Hand Carried)  
Ms. Vicki Wallace

# COCHISE COUNTY

Map No. 23

## RANGE 19 East



W-20453 (2)

Northern Sunrise Water Company, Inc.

(2)

Whetstone Water Improvement District  
(Nonjurisdictional)

(1)

Northern Sunrise Water Company  
Docket No. W-20453A-06-0247  
Application for Extension

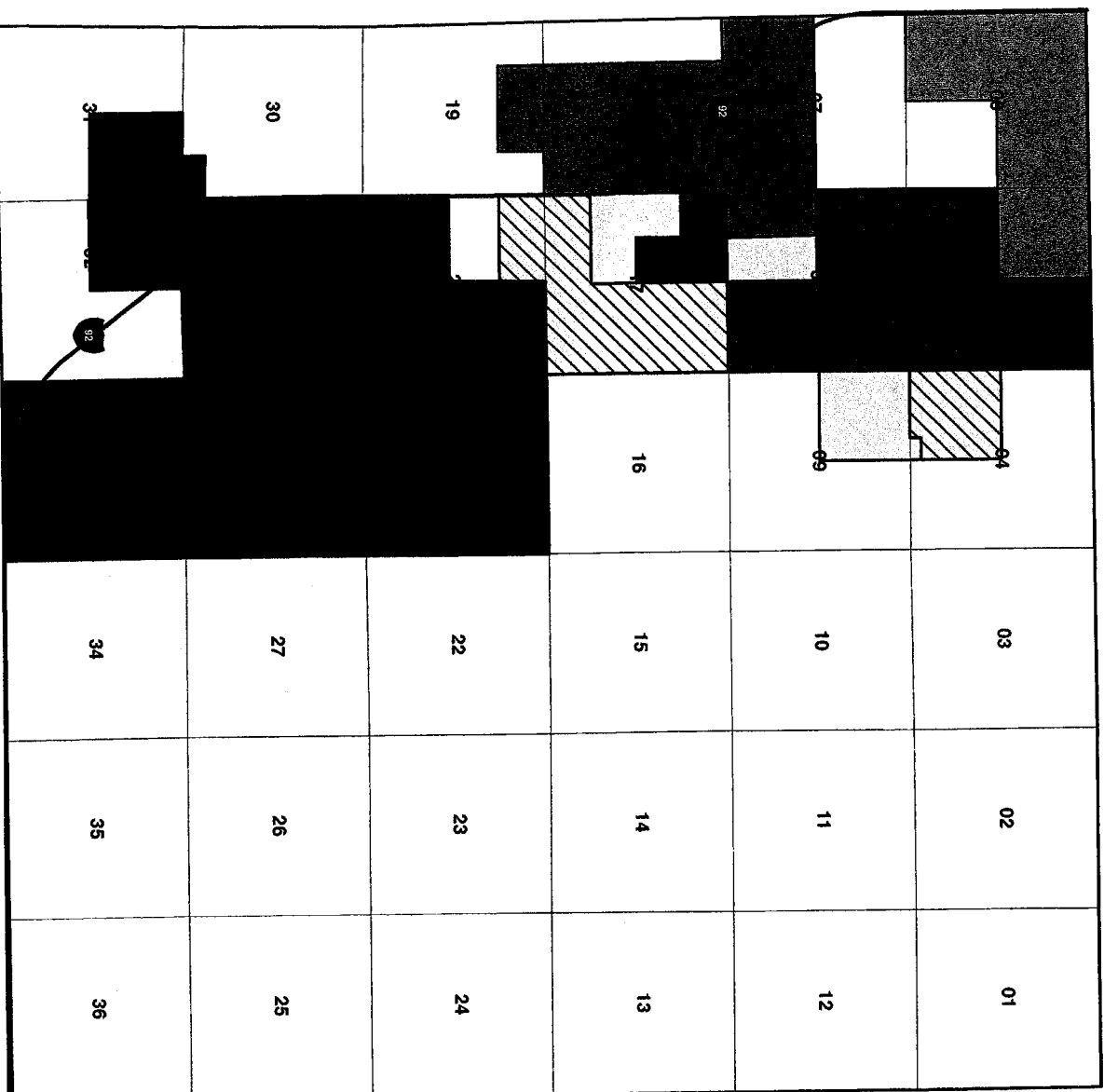
(1)

Northern Sunrise Water Company  
Docket No. W-20453A-06-0247  
Staff Deletion from Requested Area











# COCHISE COUNTY

Map No. 38

## RANGE 21 East



## TOWNSHIP 23 South

-  W-2465 (6)
-  Bella Vista Water Company, Inc.  
W-1906 (2)
-  East Slope Water Company  
W-1602 (1)
-  Nicksville Water Company, Inc.  
W-20454 (3)
-  Southern Sunrise Water Company, Inc.  
W-2062 (2)
-  Southland Utilities Company, Inc.
-  (2)
-  Southern Sunrise Water Company  
Docket No. W-20454A-06-0248  
Application for Extension
-  (2)
-  Southern Sunrise Water Company  
Docket No. W-20454A-06-0248  
Staff Deletion from Requested Area

COCHISE COUNTY

Map No. 51

RANGE 22 East

06	05	04	03	02	01
07	08	09	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24

MEXICO

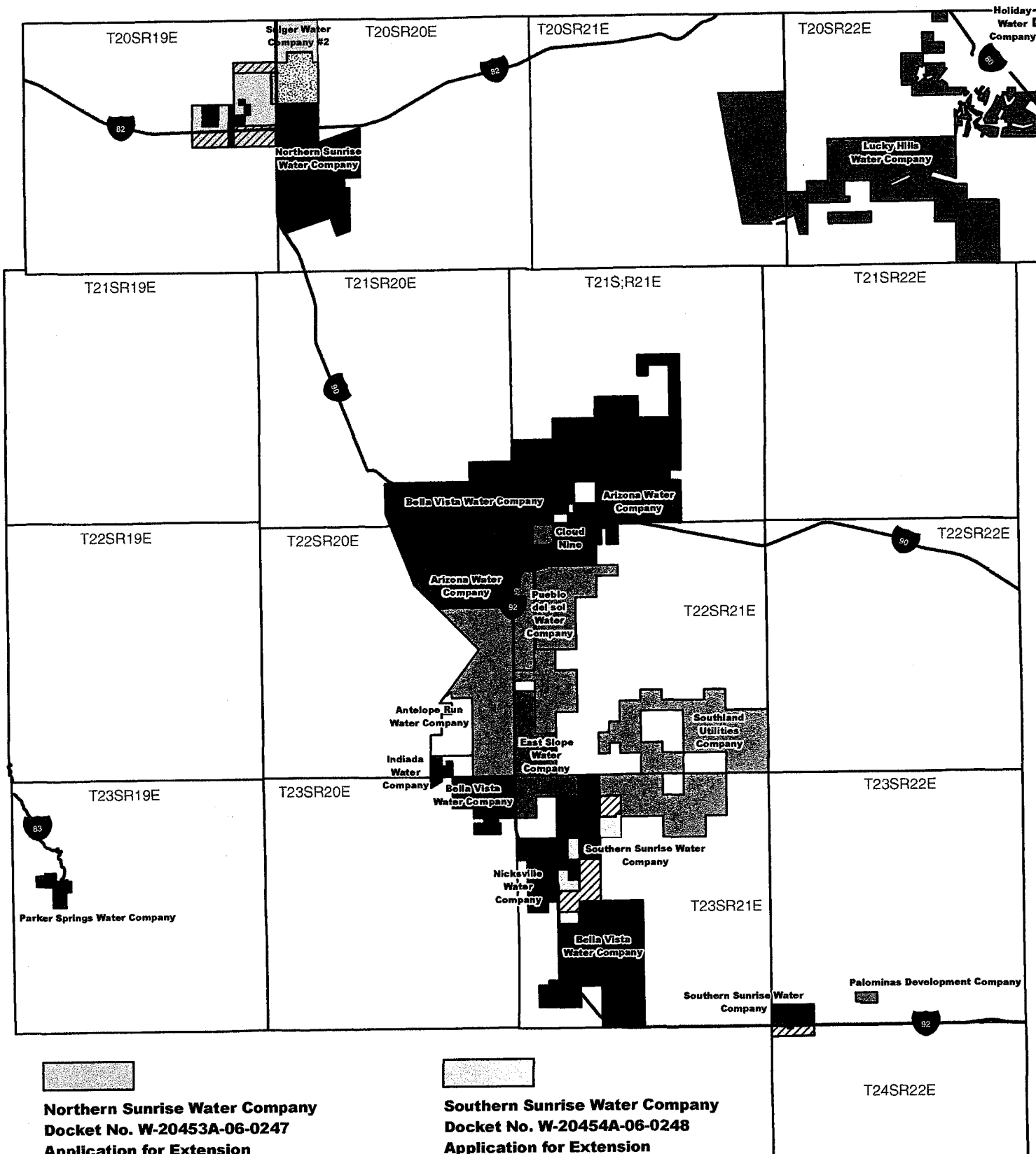
TOWNSHIP 24 South

W-20454 (2)

Southern Sunrise Water Company  
Docket No. W-20454A-06-0248  
Application for Extension

(2)

Southern Sunrise Water Company  
Docket No. W-20454A-06-0248  
Staff Deletion from Requested Area





**NORTHERN SUNRISE WATER COMPANY**  
**DOCKET NO. W-20453A-06-0247**  
**STAFF GENERATED LEGAL DESCRIPTION FOR THE RECOMMENDED**  
**AREAS (TO BE AMENDED BY COMPANY AFTER DECISION IS ISSUED)**

**Township 20 South, Range 19 East, G&SRB&M, Cochise County, Arizona**

The South 1/2 of the Northwest 1/4; the Southwest 1/4 of the Northeast 1/4, the West 1/2 of the Southeast 1/4 of the Northeast 1/4; the West 1/2 of the Southeast 1/4 and the West 1/2 of the East 1/2 of the Southeast 1/4; the Northwest 1/4 of the Southwest 1/4, the Northeast 1/4 of the Southwest 1/4, the Southeast 1/4 of the Southwest 1/4, the West 1/2 of the Southwest 1/4 of the Southwest 1/4, and the Northeast 1/4 of the Southwest 1/4 of the Southwest 1/4, all in Section 12.

The Northwest 1/4 of the Northwest 1/4, the East 1/2 of the Northeast 1/4 of the Northwest 1/4, and the Southeast 1/4 of the Northwest 1/4; the Northeast 1/4, all in Section 13.

The West 1/2 of the Northwest 1/4; the East 1/2 of the West 1/2 of the Northeast 1/4 and the West 1/2 of the East 1/2 of the Northeast 1/4; the Northeast 1/4 of the Northwest 1/4 of the Southeast 1/4 lying north of State Route 82, the Northwest 1/4 of the Northeast 1/4 of the Southeast 1/4 lying north of State Route 82 and the Northwest 1/4 of the Southwest 1/4 lying north of State Route 82, all in Section 14.

**SOUTHERN SUNRISE WATER COMPANY**  
**DOCKET NO. W-20454A-06-0248**  
**STAFF GENERATED LEGAL DESCRIPTION FOR THE RECOMMENDED**  
**AREAS (TO BE AMENDED BY COMPANY AFTER DECISION IS ISSUED)**

**Township 23 South, Range 21 East, G&SRB&M, Cochise County, Arizona**

Approximately the South 1/2 of the Southeast 1/4 of the Southeast 1/4 of the Southwest 1/4 of Section 4.

The East 1/2 of the Southwest 1/4 of Section 8.

The Northwest 1/4 of Section 9.

The Southwest 1/4 of the Northwest 1/4; and the North 1/2 of the Southwest 1/4, all in Section 17.

**Township 24 South, Range 22 East, G&SRB&M, Cochise County, Arizona**

Approximately the North 1/2 of the Northeast 1/4 of the Northeast 1/4 of the Northwest 1/4 of Section 6.

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION  
RECEIVEDArizona Corporation Commission  
DOCKETED

25#

COMMISSIONERS

2008 FEB 29 A 11:37

FEB 29 2008

MIKE GLEASON, Chairman  
WILLIAM MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCEAZ CORP COMMISSION  
DOCKET CONTROL

DOCKETED BY

nr

IN THE MATTER OF THE APPLICATION OF  
NORTHERN SUNRISE WATER COMPANY FOR  
A CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER SERVICE IN  
COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20453A-06-0247

IN THE MATTER OF THE APPLICATION OF  
SOUTHERN SUNRISE WATER COMPANY FOR  
A CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER SERVICE IN  
COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20454A-06-0248

IN THE MATTER OF THE JOINT APPLICATION  
OF NORTHERN SUNRISE WATER COMPANY  
AND SOUTHERN SUNRISE WATER COMPANY  
FOR THE APPROVAL OF SALE AND  
TRANSFER OF WATER UTILITY ASSETS, AND  
CANCELLATION OF CERTIFICATES OF  
CONVENIENCE AND NECESSITY, FOR  
MIRACLE VALLEY WATER COMPANY,  
COCHISE WATER COMPANY, HORSESHOE  
RANCH WATER COMPANY, CRYSTAL WATER  
COMPANY, MUSTANG WATER COMPANY,  
CORONADO ESTATES WATER COMPANY,  
AND SIERRA SUNSET WATER COMPANY,  
LOCATED IN COCHISE COUNTY, ARIZONA.DOCKET NOS. W-20453A-06-0251  
W-20454A-06-0251  
W-01646A-06-0251  
W-01868A-06-0251  
W-02235A-06-0251  
W-02316A-06-0251  
W-02230A-06-0251  
W-01629A-06-0251  
W-02240A-06-0251PROCEDURAL ORDERBY THE COMMISSION:

In Decision No. 68826 (June 29, 2006), the Arizona Corporation Commission ("Commission") approved the sale and transfer of assets, and cancellation of Certificates of Convenience and Necessity ("CC&N"), of Miracle Valley Water Company, Cochise Water Company, Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Coronado Estates Water Company and Sierra Sunset Water Company (collectively "McLain Water Systems") to Northern Sunrise Water Company and Southern Sunrise Water Company (collectively "Applicants").

1 In Decision No. 68826, the Commission acknowledged that the McLain Water Systems might  
2 be serving customers outside of their certificated boundaries and that it might make sense for  
3 Applicants to extend their CC&N boundaries to include these customers as well as other properties  
4 that are reasonable and logical. The Commission ordered the Applicants to file by December 31,  
5 2007, "applications for approval to extend their CC&Ns to areas being served outside of the CC&N  
6 approved in this case."

7 On January 3, 2008, Applicants filed a "Compliance with Decision No. 68826." By their  
8 filing, Applicants seek to amend their CC&Ns pursuant to Decision No. 68826.

9 By Procedural Order dated February 8, 2008, the matter was set for a Procedural Conference  
10 on February 27, 2008, for the purpose of determining how to proceed in this matter.

11 At the February 27, 2008, Procedural Conference, Applicants and Commission Utilities  
12 Division Staff ("Staff") appeared through counsel. Staff concurred that the Applicants' compliance  
13 filing should be treated as an Application for a CC&N Extension, and that it is appropriate to set the  
14 matter for hearing. Staff believes that the law requires a hearing in this matter. Moreover, Staff  
15 noted that because of the unusual history of the former McLain Water Systems, notice to affected  
16 property owners is of particular importance, and recommended that Applicants take whatever steps  
17 they believe are necessary to assure themselves and the Commission that affected property owners  
18 have sufficient notice of the proceeding. Staff believes that it is the Applicants' burden to show that  
19 notice is sufficient, but Staff appeared to suggest that the Company may want to be able to show that  
20 property owners affirmatively want their property included in the Applicants' certificated areas.  
21 Applicants agreed that notice is a critical part of the process, and sought some direction on whether  
22 the Commission would require affirmation from affected property owners that they wanted their  
23 properties included in the Applicants' CC&Ns.

24 The Commission is always concerned that the public receive adequate notice of proceedings.  
25 Staff's comments were intended, we believe, to put the Applicants on notice that they bear  
26 responsibility for ensuring that affected property owners receive adequate notice of the proceeding.  
27 There was some discussion at the February 27, 2008, Procedural Conference about requiring  
28 affirmation from affected property owners that they want their property included in the request,

1 however, it was not clear at that time how such affirmation process would work. Neither Applicants  
2 nor the Commission can control the actions of private property owners. We are concerned that such a  
3 requirement would be difficult to administer, and may result in unwarranted conclusions. We believe  
4 that a fair course of action is to take all reasonable steps to serve notice on the affected property  
5 owners and make such notice as clear as possible that property owners wishing to exclude their  
6 property from the request should file such request with the Commission. Under this approach those  
7 property owners most motivated to act, are charged with taking action. If there is any dispute  
8 between the Applicants and property owners objecting to inclusion of property in the request, the  
9 Commission can resolve such disputes in the course of the hearing.

10 Accordingly, the matter should be set for hearing.

11 IT IS THEREFORE ORDERED that the **hearing** in the above-captioned matter shall be held  
12 on **July 8, 2008, at 10:00 a.m.** or as soon thereafter as is practical, at the Commission's offices,  
13 **Room 222, 400 West Congress St., Tucson, Arizona 85701.**

14 IT IS FURTHER ORDERED that **intervention** shall be in accordance with A.A.C. R14-3-  
15 105, except that all motions to intervene, as well as **any objections to include specific parcels** in the  
16 request, must be filed on or before **June 13, 2008.**

17 IT IS FURTHER ORDERED that Applicant shall serve public notice of the hearing in this  
18 matter, in the following form, type size and style:

19  
20 **PUBLIC NOTICE OF HEARING ON APPLICATION BY**  
21 **NORTHERN SUNRISE WATER COMPANY AND**  
22 **SOUTHERN SUNRSIE WATER COMPANY FOR**  
23 **EXTENSION OF THEIR**  
24 **CERTIFICATES OF CONVENIENCE AND NECESSITY**  
25 **DOCKET NO. W-20453A-06-0247**  
26 **DOCKET NO. W20454A-06-0248**

27 On January 11, 2007, Northern Sunrise Water Company and Southern Sunrise Water  
28 Company (collectively "Applicants") filed an application with the Arizona  
Corporation Commission ("Commission") for an extension of their Certificates of  
Convenience and Necessity ("Certificate") in Cochise County, Arizona. If the  
application is granted the Applicants would be the exclusive providers of water service  
within the requested extension areas, and would be required to provide service on the  
terms and conditions as established by the Commission.

1 APPLICANTS HAVE BEEN DIRECTED TO MAIL THIS NOTICE TO ALL  
2 AFFECTED PROPERTY OWNERS. IF YOU RECEIVED THIS NOTICE BY  
3 MAIL, YOUR PROPERTY IS INCLUDED IN THE REQUEST TO BE INCLUDED  
4 IN APPLICANTS' SERVICE AREAS. AFFECTED PROPERTY OWNERS  
5 WHO DO NOT WISH THEIR PROPERTY TO BE INCLUDED IN THE  
6 APPLICANTS' SERVICE AREAS, MUST FILE A REQUEST WITH THE  
7 COMMISSION TO HAVE THEIR PROPERTY EXCLUDED. IF YOU DO  
8 NOT RESPOND TO THIS NOTICE, AND THE REQUEST IS APPROVED,  
9 YOUR PROPERTY WILL BE INCLUDED IN THE APPLICANTS SERVICE  
10 AREAS. SUCH REQUESTS FOR EXCLUSION SHOULD BE MAILED TO THE  
11 APPLICANTS AND THE ORIGINAL AND 13 COPIES FILED WITH THE  
12 COMMISSION IN CARE OF DOCKET CONTROL, 1200 WEST WASHINGTON,  
13 PHOENIX, ARIZONA 85007, BY JUNE 13, 2008. ALL CORRESPONDENCE  
14 SHOULD CONTAIN THE DOCKET NUMBERS SET FORTH ABOVE.

15 The applications are available for inspection during regular business hours at the  
16 offices of the Commission in Phoenix, at 1200 West Washington Street, Phoenix,  
17 Arizona, and in Tucson, at 400 West Congress St. Suite 218, Tucson, Arizona and at  
18 the offices of the Applicants, [APPLICANT INSERT ADDRESS]. The application  
19 is also available on the Commission's website, [www.azcc.gov](http://www.azcc.gov), using the e-Docket  
20 link.

21 The Commission has not yet made a determination on Applicants' request and will  
22 hold a hearing on this matter on **July 8, 2008 at 10:00 a.m.**, or as soon thereafter as is  
23 practical, at the Commission's Tucson offices, **Room 222, 400 West Congress St.,**  
24 **Tucson, Arizona 85701.**

25 The law provides for an open public hearing at which, under appropriate  
26 circumstances, interested persons may intervene in the proceedings and participate as  
27 a party. You may have the right to intervene in the proceeding. Intervention will be  
28 in accordance with A.A.C. R14-3-105, except that all motions to intervene must be  
filed on or before June 13, 2008. Persons desiring to intervene must file a written  
motion to intervene, plus 13 copies, with the Commission and send a copy of the  
motion to Applicants or their counsel and to all parties of record. The motion must, at  
the minimum, contain the following:

1. The name, address, and telephone number of the proposed intervenor and of  
any party upon whom service of documents is to be made if different from  
that of the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g.,  
a customer or potential customer of the Applicant, a member or shareholder of  
the Applicant, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed  
to the Applicant or its counsel and to all parties of record in the case.

If representation by counsel is required by Rule 31 of the Rules of the Arizona  
Supreme Court, intervention will be conditioned upon the intervenor obtaining counsel  
to represent the intervenor. The granting of intervention, among other things, entitles  
a party to present sworn evidence at the hearing and to cross-examine other witnesses.  
However, failure to intervene will not preclude any interested person or entity from  
appearing at the hearing and providing public comment on the applications. You will  
not receive any further notice of this proceeding unless you request it. Comments may  
also be made by writing to the Commission in care of Docket Control, 1200 W.

1 Washington, Phoenix, Arizona 85007. All correspondence should contain the Docket  
2 Numbers set forth above.

3 If you have any questions about this application, you may contact Applicants at  
4 [APPLICANTS insert contact name, address and telephone number]. If you want  
5 further information on intervention or have questions on how to file comments, you  
6 may contact the Consumer Services Section of the Commission at 1200 West  
7 Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

8 The Commission does not discriminate on the basis of disability in admission to its  
9 public meetings. Persons with a disability may request a reasonable accommodation  
10 such as a sign language interpreter, as well as request this document in an alternative  
11 format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602/542-  
12 3931, E-mail LHogan@cc.state.az.us. Requests should be made as early as possible  
13 to allow time to arrange the accommodation.

14 IT IS FURTHER ORDERED that Applicants shall publish the above notice in a newspaper of  
15 general circulation within the proposed extended service territory and shall mail to each property  
16 owner in the requested service territory a copy of this notice by certified first-class U.S. Mail, to  
17 begin as soon as possible and to be completed on or before **April 18, 2007**.

18 IT IS FURTHER ORDERED that Applicants shall provide a copy of this Procedural  
19 Order to all certified public service corporations providing water service in areas contiguous to  
20 the proposed extension area. A public service corporation with an interest in the proposed  
21 extension areas, and wishing to intervene, shall file any intervention requests by the deadline  
22 set forth herein.

23 IT IS FURTHER ORDERED that if after their review of the form of notice and/or other  
24 procedures and guidelines established in this Procedural Order, Applicants and Staff have any  
25 concerns or questions, they should request a Procedural Conference to address those concerns  
26 by **March 17, 2008**.

27 IT IS FURTHER ORDERED that Applicants shall file certifications of mailing and  
28 publication as soon as practicable after the mailing and publication have been completed.

IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing and  
publication, notwithstanding the failure of an individual customer to read or receive the notice.

IT IS FURTHER ORDERED that Staff shall file its Staff Report and associated exhibits to  
be presented at the hearing on or before **June 6, 2008**.

1 IT IS FURTHER ORDERED that any objection or response by the Applicant or Intervenor  
2 to the Staff Report shall be made in writing and filed on or before **June 20, 2008**.

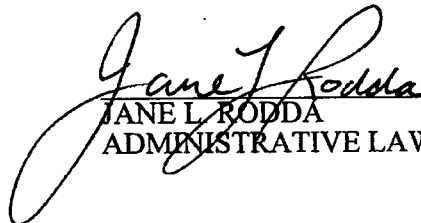
3 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113-Unauthorized  
4 Communications) applies to this proceeding as the matter is now set for public hearing.

5 IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules  
6 of the Arizona Supreme Court and A.R.S. § 40-243 with respect to practice of law and admission *pro*  
7 *hac vice*.

8 IT IS FURTHER ORDERED that the time periods specified herein shall not be extended  
9 pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

10 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive  
11 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

12 Dated this 28<sup>th</sup> day of February, 2008.

13  
14  
15   
16 JANE L. RODDA  
17 ADMINISTRATIVE LAW JUDGE

18 Copies of the foregoing mailed  
19 this 28<sup>th</sup> day of February, 2008 to:

20 Mr. Jay Shapiro  
21 Mr. Patrick Black  
22 Fennemore Craig, PC  
23 3003 North Central Avenue  
24 Suite 2600  
25 Phoenix, Arizona 85012  
26 Attorneys for Applicants

27 Mr. Steven Cockrum  
28 5328 Corral Dr.  
Hereford, Arizona 85635

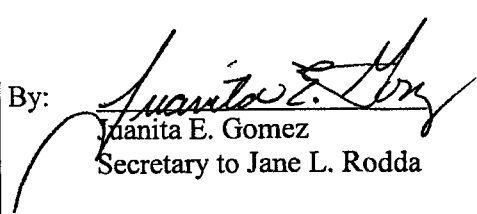
Mr. Christopher Kempley, Chief Counsel  
Legal Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007



1 Mr. Ernest Johnson, Director  
2 Utilities Division  
3 ARIZONA CORPORATION COMMISSION  
4 1200 West Washington Street  
5 Phoenix, Arizona 85007

6 ARIZONA REPORTING SERVICE, INC.  
7 2200 N. Central Avenue, Suite 502  
8 Phoenix, Arizona 85004-1481

9 By:

10   
11 Juanita E. Gomez  
12 Secretary to Jane L. Rodda  
13  
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**PUBLIC NOTICE OF HEARING ON APPLICATION BY**  
**NORTHERN SUNRISE WATER COMPANY AND**  
**SOUTHERN SUNRISE WATER COMPANY FOR**  
**EXTENSION OF THEIR**  
**CERTIFICATES OF CONVENIENCE AND NECESSITY**  
**DOCKET NO. W-20453A-06-0247**  
**DOCKET NO. W-20454A-06-0248**

On January 2, 2008, Northern Sunrise Water Company and Southern Sunrise Water Company (collectively "Applicants") filed an application with the Arizona Corporation Commission ("Commission") for an extension of their Certificates of Convenience and Necessity ("Certificate") in Cochise County, Arizona. If the application is granted the Applicants would be the exclusive providers of water service within the requested extension areas, and would be required to provide service on the terms and conditions as established by the Commission.

APPLICANTS HAVE BEEN DIRECTED TO MAIL THIS NOTICE TO ALL AFFECTED PROPERTY OWNERS. IF YOU RECEIVED THIS NOTICE BY MAIL, YOUR PROPERTY IS INCLUDED IN THE REQUEST TO BE INCLUDED IN APPLICANTS' SERVICE AREAS. AFFECTED PROPERTY OWNERS WHO DO NOT WISH THEIR PROPERTY TO BE INCLUDED IN THE APPLICANTS' SERVICE AREAS, MUST FILE A REQUEST WITH THE COMMISSION TO HAVE THEIR PROPERTY EXCLUDED. IF YOU DO NOT RESPOND TO THIS NOTICE, AND THE REQUEST IS APPROVED, YOUR PROPERTY WILL BE INCLUDED IN THE APPLICANTS' SERVICE AREAS. SUCH REQUESTS FOR EXCLUSION SHOULD BE MAILED TO THE APPLICANTS AND THE ORIGINAL AND 13 COPIES FILED WITH THE COMMISSION IN CARE OF DOCKET CONTROL, 1200 WEST WASHINGTON, PHOENIX, ARIZONA 85007, BY JUNE 13, 2008. ALL CORRESPONDENCE SHOULD CONTAIN THE DOCKET NUMBERS SET FORTH ABOVE.

The applications are available for inspection during regular business hours at the offices of the Commission in Phoenix, at 1200 West Washington Street, Phoenix, Arizona, and in Tucson, at 400 West Congress St. Suite 218, Tucson, Arizona and at the offices of the Applicants, c/o Greg Sorensen, Algonquin Water, 12725 W. Indian School Road, Suite D-101, Avondale, AZ 85392. The application is also available on the Commission's website, [www.azcc.gov](http://www.azcc.gov), using the e-Docket link.

The Commission has not yet made a determination on Applicants' request and will hold a hearing on this matter on **July 8, 2008 at 10:00 a.m.**, or as soon thereafter as is practical, at the Commission's Tucson offices, **Room 222, 400 West Congress St., Tucson, Arizona 85701.**

The law provides for an open public hearing at which, under appropriate circumstances, interested persons may intervene in the proceedings and participate as a party. You may have the right to intervene in the proceeding. Intervention will be

in accordance with A.A.C. R14-3-105, except that all motions to intervene must be filed on or before June 13, 2008. Persons desiring to intervene must file a written motion to intervene, plus 13 copies, with the Commission and send a copy of the motion to Applicants or their counsel and to all parties of record. The motion must, at the minimum, contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different from that of the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer or potential customer of the Applicant, a member or shareholder of the Applicant, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to the Applicant or its counsel and to all parties of record in the case.

If representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the intervenor obtaining counsel to represent the intervenor. The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the applications. You will not receive any further notice of this proceeding unless you request it. Comments may also be made by writing to the Commission in care of Docket Control, 1200 W. Washington, Phoenix, Arizona 85007. All correspondence should contain the Docket Numbers set forth above.

If you have any questions about this application, you may contact Applicants at Algonquin Water, c/o Greg Sorensen, 12725 W. Indian School Road, Suite D-101, Avondale, AZ 85392, (866) 681-4506. If you want further information on intervention or have questions on how to file comments, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602/542-3931, E-mail LHogan@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation.

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

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COMMISSIONERS

JUN 03 2008

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MIKE GLEASON, Chairman  
WILLIAM MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

DOCKETED BY

NR

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
NORTHERN SUNRISE WATER COMPANY FOR  
A CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER SERVICE IN  
COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20453A-06-0247

IN THE MATTER OF THE APPLICATION OF  
SOUTHERN SUNRISE WATER COMPANY FOR  
A CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER SERVICE IN  
COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20454A-06-0248

IN THE MATTER OF THE JOINT APPLICATION  
OF NORTHERN SUNRISE WATER COMPANY  
AND SOUTHERN SUNRISE WATER COMPANY  
FOR THE APPROVAL OF SALE AND  
TRANSFER OF WATER UTILITY ASSETS, AND  
CANCELLATION OF CERTIFICATES OF  
CONVENIENCE AND NECESSITY, FOR  
MIRACLE VALLEY WATER COMPANY,  
COCHISE WATER COMPANY, HORSESHOE  
RANCH WATER COMPANY, CRYSTAL WATER  
COMPANY, MUSTANG WATER COMPANY,  
CORONADO ESTATES WATER COMPANY,  
AND SIERRA SUNSET WATER COMPANY,  
LOCATED IN COCHISE COUNTY, ARIZONA.

DOCKET NOS. W-20453A-06-0251  
W-20454A-06-0251  
W-01646A-06-0251  
W-01868A-06-0251  
W-02235A-06-0251  
W-02316A-06-0251  
W-02230A-06-0251  
W-01629A-06-0251  
W-02240A-06-0251

PROCEDURAL ORDER

**BY THE COMMISSION:**

In Decision No. 68826 (June 29, 2006), the Arizona Corporation Commission ("Commission") approved the sale and transfer of assets, and cancellation of Certificates of Convenience and Necessity ("CC&N"), of Miracle Valley Water Company, Cochise Water Company, Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Coronado Estates Water Company and Sierra Sunset Water Company (collectively "McLain Water Systems") to Northern Sunrise Water Company and Southern Sunrise Water Company (collectively "Applicants").

1 In Decision No. 68826 the Commission acknowledged that the McLain Water Systems might  
2 be serving customers outside of their certificated boundaries and that it might make sense for  
3 Applicants to extend their CC&N boundaries to include these customers as well as other properties  
4 that are reasonable and logical. The Commission ordered the Applicants to file by December 31,  
5 2007, "applications for approval to extend their CC&Ns to areas being served outside of the CC&N  
6 approved in this case."

7 On January 3, 2008, Applicants filed a "Compliance with Decision No. 68826." By their  
8 filing, Applicants seek to amend their CC&Ns pursuant to Decision No. 68826.

9 By Procedural Order dated February 28, 2008, the matter was set for hearing on July 8, 2008,  
10 and the Applicants were ordered to mail notice to the affected property owners.

11 On April 29, 2008, Applicants filed a Notice of Filing Proof of Publication and Mailing,  
12 indicating they mailed notice to affected property owners on April 18, 2008 and April 24, 2008.

13 In response to the notice, the Commission has received a large number of requests from  
14 property owners to have their property excluded from the proposed extension area. Further, it  
15 appears from letters and phone calls received from property owners, there is some confusion in the  
16 community about the effect of the application. Consequently, the Commission believes that it is in the  
17 public interest to hold a public comment meeting in the local community to hear the concerns of  
18 potentially affected property owners.

19 IT IS THEREFORE ORDERED that a **Public Comment meeting** shall commence on **June**  
20 **23, 2008, at 4:30 p.m.**, or as soon thereafter as is practical, at the **Windermere Hotel, 2047 S.**  
21 **Highway 92, Sierra Vista, Arizona 85635.**

22 IT IS FURTHER ORDERED that the deadline to intervene shall be extended until July 1,  
23 2008.

24 IT IS FURTHER ORDERED that the deadline for Staff to file its Staff Report shall be  
25 extended until June 27, 2008.

26 IT IS FURTHER ORDERED that any responses to the Staff Report by Applicants or  
27 intervenors shall be filed by July 3, 2008.

28

IT IS FURTHER ORDERED that Applicants shall serve notice of the public comment in the following form, type size and style:

**NOTICE OF PUBLIC COMMENT**  
**ON APPLICATION BY**  
**NORTHERN SUNRISE WATER COMPANY AND**  
**SOUTHERN SUNRSIE WATER COMPANY FOR**  
**EXTENSION OF THEIR**  
**CERTIFICATES OF CONVENIENCE AND NECESSITY**  
**DOCKET NO. W-20453A-06-0247**  
**DOCKET NO. W-20454A-06-0248**

On January 11, 2007, Northern Sunrise Water Company and Southern Sunrise Water Company (collectively "Applicants") filed an application with the Arizona Corporation Commission ("Commission") for an extension of their Certificates of Convenience and Necessity ("Certificate") in Cochise County, Arizona.

**THE COMMISSION WILL HOLD A PUBLIC COMMENT MEETING ON**  
**THE APPLICATION ON JUNE 23, 2008, AT 4:30 p.m., AT THE**  
**WINDERMERE HOTEL, 2047 S. HIGHWAY 92, SIERRA VISTA, ARIZONA**  
**85635.**

You received notice previously about the hearing on this matter set to commence on July 8, 2008 at 10:00 a.m., at the Commission's Tucson offices, Room 222, 400 West Congress St., Tucson, Arizona 85701. If the application is granted the Applicants would be the exclusive providers of water service within the requested extension areas, and would be required to provide service on the terms and conditions as established by the Commission. IF YOU PREVIOUSLY REQUESTED TO HAVE YOUR PROPERTY EXCLUDED FROM THE PROPOSED SERVICE AREA, YOUR PROPERTY WILL NOT AUTOMATICALLY BE EXCLUDED, BUT RATHER THE COMMISSION WILL DECIDE BASED ON ALL THE EVIDENCE IN THE RECORD WHICH AREAS WILL BE INCLUDED AND WHICH WILL NOT. HOWEVER, IF THE APPLCIATION IS APPROVED, PROPERTY OWNERS WITH PERSONAL WELLS WILL NOT BE REQUIRED TAKE SERVICE FROM APPLICANTS OR TO DISCONNECT FROM THEIR WELLS TO BECOME CUSTOMERS OF THE APPLICANTS.

Interested persons may intervene in the proceedings and participate as a party. The deadline to file a request to intervene has been extended until July 1, 2008. Persons desiring to intervene must file a written motion to intervene, plus 15 copies, with the Commission and send a copy of the motion to Applicants or their counsel and to all parties of record. The motion must, at the minimum, contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different from that of the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer or potential customer of the Applicant, a member or shareholder of the Applicant, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to the Applicant or its counsel and to all parties of record in the case.

1 If you have any questions about this application, you may contact Applicants at  
2 Algonquin Water, c/o Greg Sorensen, 12725 W. Indian School Road, Suite D-101,  
3 Avondale, AZ 85392, (866) 681-4506.42-3931. If you want further information on  
4 intervention or have questions on how to file comments, you may contact the  
5 Consumer Services Section of the Commission at 1200 West Washington Street,  
6 Phoenix, Arizona 85007 or call 1-800-222-7000.

7 The Commission does not discriminate on the basis of disability in admission to its  
8 public meetings. Persons with a disability may request a reasonable accommodation  
9 such as a sign language interpreter, as well as request this document in an alternative  
10 format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602/543-  
11 3931, E-mail LHogan @azcc.gov. Request should be made as early as possible to  
12 allow time to arrange the accommodation.

13 IT IS FURTHER ORDERED that Applicants shall mail to each property owner in the  
14 requested service territory a copy of this notice by **first-class U.S. Mail**, to begin as soon as possible  
15 and to be completed on or before **June 13, 2008**.

16 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113-Unauthorized  
17 Communications) continues to apply to this proceeding.

18 IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules  
19 of the Arizona Supreme Court and A.R.S. § 40-243 with respect to practice of law and admission *pro*  
20 *hac vice*.

21 IT IS FURTHER ORDERED that the time periods specified herein shall not be extended  
22 pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

23 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive  
24 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

25 Dated this 3<sup>rd</sup> day of June, 2008.

26  
27  
28  
  
JANE L. RODDA  
ADMINISTRATIVE LAW JUDGE

1 Copies of the foregoing mailed  
2 this 3<sup>rd</sup> day of June 2008 to:

3 Mr. Jay Shapiro  
4 Mr. Patrick Black  
5 FENNEMORE CRAIG, PC  
6 3003 North Central Avenue, Suite 2600  
7 Phoenix, Arizona 85012  
8 Attorneys for Applicants

9 Mr. Steven Cockrum  
10 5328 Corral Dr.  
11 Hereford, Arizona 85635

12 Ms. Sharron L. Arcand  
13 Mr. Raymond E. Baltrus  
14 5906 S. Kino Road  
15 Hereford, Arizona 85615-8901

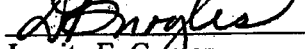

16 Ms. Charlotte L. Borghardt  
17 Mr. Paul Goetz  
18 P.O. Box 1126  
19 Sierra Vista, Arizona 85636

20 Mr. David Lease  
21 Mrs. Jennifer Lease  
22 6356 South Kino Rd.  
23 Hereford, Arizona 85615

24 Ms. Janice Alward, Chief Counsel  
25 Legal Division  
26 ARIZONA CORPORATION COMMISSION  
27 1200 West Washington Street  
28 Phoenix, Arizona 85007

Mr. Ernest Johnson, Director  
Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

ARIZONA REPORTING SERVICE, INC.  
2200 North Central Avenue, Suite 502  
Phoenix, AZ 85004-1481

25 By:   
26  Juanita E. Gomez  
27 Secretary to Jane L. Rodda  
28



This notice is being provided to you pursuant to the Procedural Order dated June 3, 2008. In that Procedural Order, Administrative Law Judge Jane L. Rodda of the Arizona Corporation Commission ordered Northern Sunrise Water Company and Southern Sunrise Water Company to provide you with the following notice.

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**NOTICE OF PUBLIC COMMENT**  
**ON APPLICATION BY**  
**NORTHERN SUNRISE WATER COMPANY AND**  
**SOUTHERN SUNRISE WATER COMPANY FOR**  
**EXTENSION OF THEIR**  
**CERTIFICATES OF CONVENIENCE AND NECESSITY**  
**DOCKET NO. W-20453A-06-0247**  
**DOCKET NO. W-20454A-06-0248**

On January 11, 2007, Northern Sunrise Water Company and Southern Sunrise Water Company (collectively "Applicants") filed an application with the Arizona Corporation Commission ("Commission") for an extension of their Certificates of Convenience and Necessity ("Certificate") in Cochise County, Arizona.

**THE COMMISSION WILL HOLD A PUBLIC COMMENT MEETING ON**  
**THE APPLICATION ON JUNE 23, 2008, AT 4:30 p.m., AT THE**  
**WINDERMERE HOTEL, 2047 S. HIGHWAY 92, SIERRA VISTA, ARIZONA**  
**85635.**

You received notice previously about the hearing on this matter set to commence on July 8, 2008 at 10:00 a.m., at the Commission's Tucson offices, Room 222, 400 West Congress St., Tucson, Arizona 85701. If the application is granted the Applicants would be the exclusive providers of water service within the requested extension areas, and would be required to provide service on the terms and conditions as established by the Commission. IF YOU PREVIOUSLY REQUESTED TO HAVE YOUR PROPERTY EXCLUDED FROM THE PROPOSED SERVICE AREA, YOUR PROPERTY WILL NOT AUTOMATICALLY BE EXCLUDED, BUT RATHER THE COMMISSION WILL DECIDE BASED ON ALL THE EVIDENCE IN THE RECORD WHICH AREAS WILL BE INCLUDED AND WHICH WILL NOT. HOWEVER, IF THE APPLICATION IS APPROVED, PROPERTY OWNERS WITH PERSONAL WELLS WILL NOT BE REQUIRED TO TAKE SERVICE FROM APPLICANTS OR TO DISCONNECT FROM THEIR WELLS TO BECOME CUSTOMERS OF THE APPLICANTS.

Interested persons may intervene in the proceedings and participate as a party. The deadline to file a request to intervene has been extended until July 1, 2008. Persons desiring to intervene must file a written motion to intervene, plus 15 copies,

with the Commission and send a copy of the motion to Applicants or their counsel and to all parties of record. The motion must, at the minimum, contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different from that of the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer or potential customer of the Applicant, a member or shareholder of the Applicant, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to the Applicant or its counsel and to all parties of record in the case.

If you have any questions about this application, you may contact Applicants at Algonquin Water, c/o Greg Sorensen, 12725 W. Indian School Road, Suite D-101, Avondale, AZ 85392, (866) 681-4506. If you want further information on intervention or have questions on how to file comments, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602/543-3931, E-mail LHogan@azcc.gov. Request should be made as early as possible to allow time to arrange the accommodation.

## **NOTIFICATION TO HEREFORD/PALOMINAS RESIDENTS**

The ALGONQUIN WATER COMPANY ALSO KNOWN AS THE ALGONQUIN POWER INCOME FUND IS attempting to take away ***YOUR*** Water well(s) and water rights. This Corporation is also known as **NORTHERN SUNRISE WATER COMPANY AND THE SOUTHERN SUNRISE WATER COMPANY.**

The attached copy of the letter from the **ALGONQUIN WATER COMPANY**, each property owner and well holder was supposed to receive this letter. It appears that less than one in fifty actually received the letter.

The affect of this preemption of water and well rights will in all probability be approved by the ARIZONA CORPORATION COMMISSION unless there are sufficient protests and exclusion requests. IF each property DOES NOT opt to be excluded from the proposed extension of certificates (area) they will AUTOMATICALLY be included in the water company's area and their right to their own well and water therein will be taken away by the ARIZONA CORPORATION COMMISSION and given to the ALGONQUIN WATER COMPANY. Based on the limited number of connection you can expect to be charged at least \$1000.00 initial connection fees and at least \$50.00 Since the ALGONQUIN WATER COMPANY has no distribution system in most areas extensive delays, as very significant additional costs will probably be the facts of life.

### **OUR ONLY RECOURSE IS TO FILE THE NECESSARY REQUEST FOR PROPERTY EXCLUSION WITH THE ARIZONA CORPORATION COMMISSION BY THE JUNE 13 2008 DEADLINE.**

You can fill out the required original and thirteen copies your self or you can have the below listed company will insure that all necessary and required information is properly presented to insure that your property is excluded from the extended service area. I feel the nominal fee of \$5.00 is very reasonable considering the fact our Water Rights are at stake.

E. Chuck DeLeal  
Sierra Bonita Land and Home  
520-803-9465

Simply call the above and provide your name and address and they will prepare the necessary documents in the proper format.

Also please note the ALGONQUIN WATER COMPANY, which is owned by the ALGONQUIN POWER INCOME FUND is a FOREIGN OWNED COMPANY OPERATED FROM CANADIAN



**ALGONQUIN**  
WATER RESOURCES  
— OF AMERICA, INC. —

Frank & Dixie Swick  
7024 E. Dakota Rd  
Hereford, AZ 85615

Dear Customer:

On January 3, 2008 Northern Sunrise and Southern Sunrise Water Companies filed an application with the Arizona Corporation Commission ("Commission") to extend its service area. You are receiving this notice because either: (1) an original notice of the application was incorrectly sent to you, or (2) you have filed a request with the Commission to delete your property from the requested extension area.

PLEASE BE ADVISED THAT YOUR PROPERTY IS NOT LOCATED WITHIN THE REQUESTED SERVICE AREA. (APN #104-82-014E) Therefore, you will not be directly affected by Northern Sunrise and Southern Sunrise Water Companies' application. Although your property is not at issue, please be informed that the Commission will be holding public comment on the company's application on June 23, 2008 at 4:30 pm at the Windermere Hotel, 2047 S. Highway 92, Sierra Vista, Arizona, 85635.

Should you have any questions please do not hesitate to contact Greg Sorensen at (866) 681-4506.



**ALGONQUIN**  
WATER RESOURCES  
— OF AMERICA, INC. —

Frank & Carolyn Harnist  
2321 N. Evans Rd  
Huachuca City, AZ 85616

Dear Customer:

On January 3, 2008 Northern Sunrise Water Company filed an application with the Arizona Corporation Commission ("Commission") to extend its service area. You are receiving this notice because either: (1) an original notice of the application was incorrectly sent to you, or (2) you have filed a request with the Commission to delete your property from the requested extension area.

PLEASE BE ADVISED THAT YOUR PROPERTY IS ALREADY LOCATED WITHIN NORTHERN SUNRISE WATER COMPANY'S EXISTING SERVICE AREA. (APN #106-08-007A, APN #106-08-007B) The company's application involves properties within the requested extension area. Although your property is not at issue, please be informed that the Commission will be holding public comment on the company's application on June 23, 2008 at 4:30 pm at the Windermere Hotel, 2047 S. Highway 92, Sierra Vista, Arizona, 85635.

Should you have any questions please do not hesitate to contact Greg Sorensen at (866) 681-4506.




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## ARIZONA CORPORATION COMMISSION

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FOR IMMEDIATE RELEASE: May 29, 2008

CONTACT: Rebecca Wilder (602) 542-0844

### **Commission Staff Answers Questions for Well Owners within the Northern and Southern Sunrise Water Systems Requested CC&N**

**PHOENIX, AZ**—Staff from the Arizona Corporation Commission's (ACC) Utilities Division answers some frequently asked questions regarding the Northern and Southern Sunrise Water Companies' request to include additional areas in their defined service area.

**Background:**

Following a litany of problems with management, water quality and quality of service with the McLain water systems and various proceedings by the Corporation Commission to rectify the situation, Algonquin Water agreed to purchase, manage, and improve the McLain water systems, which were then consolidated into the Northern Sunrise and Southern Sunrise water systems.

**What is a CC&N?**

Under Arizona law, a water utility must apply for a Certificate of Convenience and Necessity (CC&N) with the Corporation Commission to legally begin providing service. This certificate defines the area that a company will serve. The Northern and Southern Sunrise Water Companies were granted a CC&N on June 29, 2006, in Decision No. 68826, for the previously defined areas that the McLain water systems had served. In its decision, the Commission acknowledged that the McLain water systems might be serving customers outside of their certificated areas and that it might make sense for Northern and Southern Sunrise to extend their CC&N boundaries to include these customers as well as other properties that are reasonable. On January 3, 2008, Northern and Southern Sunrise filed for this extension, after which the Commission required the company to notify residents within those areas and to also publish the notice in local papers.

**If I own a well for personal use on my single parcel of land, how will this affect me?**

You will not be affected unless you decide to become a customer of Northern or Southern Sunrise. If you decide to become a customer and also want to keep your well operable, you will have to install a backflow prevention device at your cost and maintain that device at your cost. If you decide to become a customer but no longer need or want your well to be operable, you will be required to properly cap your well to avoid having to install a backflow prevention device.

**If I wrote to the Commission to have my property excluded from the service area, per the notice I received, will it automatically be excluded?**

No. The Commission will decide as part of the overall CC&N decision which areas will be included and which will not. However, as discussed above, if you have your own personal well, you will not be required to disconnect from your well and become a customer of Northern or Southern Sunrise.

**If I and other people share ownership of a well, how will we be affected?**

If you decide not to become a customer of Northern or Southern Sunrise, you will probably not be affected. The actual effect on any particular situation of this type will depend on the outcome of a probable investigation/inspection done by Commission Staff of the particular well ownership agreement. If you decide to become a customer and also remain connected to your well in any way, you will be required to install a backflow prevention device at your cost and maintain that device at your cost.

**If I own a well and am furnishing water to other users who do not have any ownership interest in my well, how will this affect me and those connected to my well?**

You, as the well owner, could be considered a public service corporation that is regulated by the Commission (i.e., you may be a water company). If the Commission found that you are a public service corporation, you would be required to disconnect all the non-well owners from your well because one water company cannot operate inside the certificated area of another water company (i.e., your water company cannot exist inside the certificated area of Northern or Southern Sunrise), unless it is separately granted a CC&N. You could stay connected to your well and serve yourself, but each of the other people would either have to drill their own individual well to serve themselves or become a customer of Northern or Southern Sunrise. If you and the people served by your well were excluded by the Commission from the certificated area of Northern or Southern Sunrise and your arrangement was found to be a public service corporation, you would be under the jurisdiction of the Commission and be required to file an application with the Commission for a CC&N. If you and the people served by your well were found not to be a public service corporation, you would not be under the jurisdiction of the Commission.

**When any well is serving more than one connection, does that water system have to comply with the requirements of the Arizona Department of Environmental Quality (ADEQ)?**

To be sure, you should contact ADEQ. However, in general, ADEQ regulates only those water systems serving 15 connections or more; or 25 people or more. For example: If the water system serves 10 homes and each home only has two residents, that system is probably not regulated by ADEQ. If the water system serves 10 homes and each home has three people, that system would probably be regulated by ADEQ and would be required by ADEQ to meet all its requirements (the same would apply to a water system serving 15 homes with one person in each home).

**What happens next?**

The Commission has not yet made a determination on Northern and Southern Sunrise Water Company's request to expand their CC&Ns service areas, but values input from the public. As such, the Commission will hold a **public comment session** in Sierra Vista on **June 23, 2008** to precede the hearing. **It will take place at the Windemere Hotel & Conference Center at 2047 South Highway 92 in Sierra Vista, beginning at 4:30 p.m.**

The Commission will also hold a **hearing** on this matter on **July 8, 2008 at 10:00 a.m.** at the **Commission's Tucson office at 400 West Congress St., Room 222, Tucson, Arizona**. Members of the public are invited to attend and may give public comment by signing up to speak before the hearing starts.

###